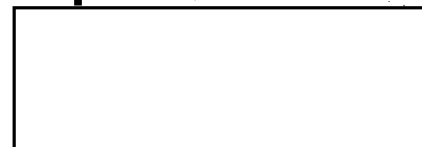


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ARAB STATES - ISRAEL: Efforts to persuade Cairo and Tel Aviv to resume direct talks continued yesterday amid indications of increasing expectations on both sides that a resumption of the fighting may be imminent.

United Nations Emergency Force (UNEF) commander General Siilasvuo met with Egyptian Minister of War Ismail in Cairo for an hour yesterday before flying to Jerusalem for meetings on Sunday with Israeli officials, probably including Minister of Defense Dayan, according to press reports. Cairo's UN representative met with UN Secretary General Waldheim yesterday and reportedly warned him that the breakdown of the Kilometer 101 talks last Thursday could jeopardize the start of peace talks in Geneva on 18 December. The representative also raised the possibility of renewed fighting along the Suez front. Waldheim also met with US, Soviet, and Israeli UN representatives late yesterday. What, if any, success UN efforts to bring the two sides together again might have is unclear, but press reports cite Egyptian officials as saying it is now up to Washington and Moscow to salvage the situation by persuading Israel to be more forthcoming on the issue of troop withdrawals in the Sinai.

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UN forces patrolling the southern Suez front have reported a marked upswing in the number of cease-fire violations over the past several days, according to a UN spokesman in Cairo. An Israeli military officer also told the press that the Suez front was "warming up," and Tel Aviv reported that Israeli forces came under Egyptian fire five times yesterday, resulting in one Israeli wounded. Most clashes, however, appeared to be localized affairs involving small-arms fire, although some mortar and artillery fire was also exchanged.

In a speech to American Jewish leaders in Jerusalem, Prime Minister Meir repeated a number of her well-known views on the Arab-Israeli question, including her objections to international guarantees as a substitute for defensible borders. She said that she is not convinced that fighting will not be resumed, although she hopes it will not. After stating that she had not perceived a single genuine call for peace coming from this week's Arab summit in Algiers, she indicated that Israel is nonetheless ready to take part in the proposed Geneva peace conference.

The Israeli scenario for the conference was spelled out by Foreign Minister Eban in an interview with an Israeli newspaper. He expects it to convene in Geneva on schedule on 18 December, with Gromyko and Kissinger attending the opening session along with the foreign ministers of Israel, Jordan, Syria, Egypt, and possibly Lebanon. The conference would then adjourn until after the Israeli Government received a negotiating mandate in the 31 December elections. Eban said that he expected the peace conference to go on for months after reconvening in January, with this second phase attended by permanent delegations of professional diplomats who

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would deal with specific problems between Israel and individual Arab states as well as conduct discussions among the Arabs themselves.

Eban insisted that Israel would not accept the participation in the peace conference of PLO leader Yasir Arafat, even though the Arab summit had recognized the PLO as the sole representative of the Palestinian people. Instead, he suggested that Palestinian representatives be included in the Jordanian delegation--the very concept that was rejected by the Arab summit.

The US consul in Jerusalem reported on 30 November that Palestinians in the Israeli-occupied West Bank are rapidly coming around to the view that at the peace conference the PLO should negotiate for all Palestinians. They reportedly also feel that an independent West Bank - Gaza state should emerge with PLO leadership, and that Jordan's King Husayn should not be the Palestinians' negotiator or ruler. Informed journalists think that, in the wake of the Algiers summit, an overwhelming majority of the normally politically fragmented West Bankers favor these ideas, while the remainder are reluctant to speak out in opposition.

In such an atmosphere, there is considerable expectation that the PLO will try to broaden its base by adding West Bank personalities to its Palestinian National Assembly. The upsurge of expressed support for the PLO and a separate state apparently has been stimulated by the widespread assumption that now, for the first time, it is worthwhile for the West Bankers themselves to decide what they want, regardless of Jordanian and Israeli views.

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USSR-INDIA: Moscow and New Delhi have good reason to be satisfied with the just-concluded visit of Soviet party leader Brezhnev, though neither side appears to have achieved its maximum goals.

As anticipated, the main results of the visit for the Soviets were political.

--India endorsed the Soviet policy of detente and made numerous laudatory references to Brezhnev's personal contributions. This endorsement tends to undercut criticism of super-power diplomacy by other nonaligned countries.

--The two sides signed a 15-year economic agreement, a planning accord, and a consular convention, which the Russians can portray as contributing to the further strengthening of the Soviet position in India.

--Brezhnev may have had some success in convincing the Indian leadership--at least for now--that Moscow will not neglect Indian interests in pursuing its policy of detente.

Brezhnev made a strong pitch for his Asian collective security proposal in a speech before the Indian Parliament, but he failed to get India's endorsement. The joint declaration issued at the end of the visit noted merely that the two sides attached "particular significance to a broad development of mutually beneficial cooperation and strengthening of peace and stability in Asia, through common efforts by all." Brezhnev apparently also made little or no progress in his efforts to secure closer Soviet-Indian military cooperation.

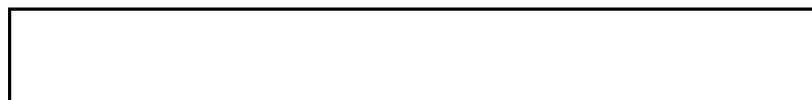
India's gains appear to have been mostly economic, although the Soviets did endorse a proposal supported by India that the Indian Ocean be declared a "zone of peace."

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--Moscow will provide large amounts of some of the scarce commodities India was seeking, including newsprint, crude oil, and possibly additional foodgrains.

--The Soviets agreed to provide new assistance in several fields, most notably to help overcome India's energy shortages.

--Both countries pledged to try to double their trade turnover by 1980.

It is not clear if the Soviets have agreed to provide the kinds and amounts of aid necessary to produce an immediate impact on the negative aid flow-- India presently pays more on old debts than it receives in the way of new Soviet aid. If India has been unable to get the USSR to substantially revise the types and amounts of goods traded and to grant more liberal credit terms, the friendly relationship between the two countries could deteriorate.

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USSR-CHINA: Soviet and Chinese officials have confirmed that Peking rejected a Soviet proposal made earlier this year to settle the Sino-Soviet border dispute east of Mongolia.

Mikhail Kapitsa, chief of the Soviet Foreign Ministry's Far East Division, recently told [redacted] that the Soviet proposal of last March envisaged the main navigation channel of the Amur and Ussuri rivers as the Sino-Soviet boundary in the east. In June, a Chinese official told [redacted] that China had rejected the Soviet initiative on the grounds that the entire border--including the area west of Mongolia--should be negotiated as a single package. This was confirmed by a Chinese Embassy officer in Moscow on 28 November who also noted that while the Soviet offer would have given the Chinese a number of contested islands, it was "totally unacceptable" because it left the island of Hei-hsia-tzu (called "Big Ussuri" by the USSR) in Soviet hands.

For the past several years the focal point of the Sino-Soviet border dispute has been sovereignty over Hei-hsia-tzu, which lies directly opposite the Soviet Far East city of Khabarovsk at the confluence of the Amur and Ussuri rivers. The Soviets consider the northern route around the island an internal waterway, and are especially sensitive about any changes that would bring the border closer to Khabarovsk--headquarters of the Soviet Far East Military District. This local dispute has caused the failure of the last three annual sessions of the Sino-Soviet navigation committee, and has hindered progress in the higher level border talks in Peking.

By disclosing the border offer, as well as the proposal of a nonaggression pact to Peking last June, the Soviets are trying to portray themselves as the conciliatory party faced with Chinese intransigence. The Soviets are also trying to underscore the contrast between their success in concluding a series of treaties with the US--particularly on the prevention of nuclear war--and the impasse in Sino-Soviet relations.

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The Soviet proposal represents a change from Moscow's previous position that the river border follows the Chinese banks of the Amur and Ussuri. Pravda journalist Yuri Zhukov told a Soviet television audience about the proposal on 20 October, and a subsequent Soviet Chinese-language broadcast conceded--in a rare public admission--that "some changes at points along the...border may be called for to draw a clear line of demarcation."

The Chinese Embassy officer in Moscow also remarked that Peking believes there is "a Soviet faction" favoring concessions to the Chinese in order to improve relations before Sino-American ties are fully established. The Chinese official did not say who, if anyone, among the Soviet leadership Peking had in mind. There is nothing in the statements of Soviet Politburo members that suggests a significant difference of opinion on the Sino-Soviet border issue. It is doubtful that Peking really believes such a faction exists. The Soviets have regularly pointed to conflict in the Chinese leadership, and Chinese officials might be expected to retaliate in kind.

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SOUTH KOREA: President Pak is under mounting domestic pressure to moderate his authoritarian policies, but the steps he is contemplating are not likely to quell persistent unrest among students and intellectuals.

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Efforts are also under way to revive the nation's moribund political processes. The government has approved a carefully worded recommendation by the National Assembly calling for limited political reforms while stressing the need to maintain political and social stability. There also are indications that Pak plans a new initiative in the negotiations with the North early next year to refocus public attention on the unification issue.

The cosmetic nature of these gestures points up Pak's belief that he can ride out the present storm without significantly modifying any of his basic policies. At this point, Pak clearly wants to avoid making concessions which might only whet the appetite of his opposition. He seems confident that the military and security forces, which appear firmly under his control, can be counted on to contain any dissatisfaction. Moreover, he continues to believe that most Koreans still prefer the stability of his strong leadership to the uncertainty that would accompany any major weakening of his power. Pak recently reminded the nation that it needs firm leadership to help weather the economic problems brought on by the growing oil crisis.

Pak's troubles are likely to continue, nonetheless. Campus demonstrations have intensified in the past few days and have spilled into the streets. Christian groups and elements of the press are calling for basic political reforms, and the students, emboldened by this support, are increasingly resisting police efforts to contain them. The government

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has responded by closing the colleges and other schools, a move which should ease the immediate problems. Student resentment remains strong, however, and will be nurtured by other protest elements which are not likely to accept the regime's compromise gestures. Thus, student unrest probably will persist in the months ahead and could easily develop even greater vigor in the spring if the regime does not make genuine efforts to moderate its policies.

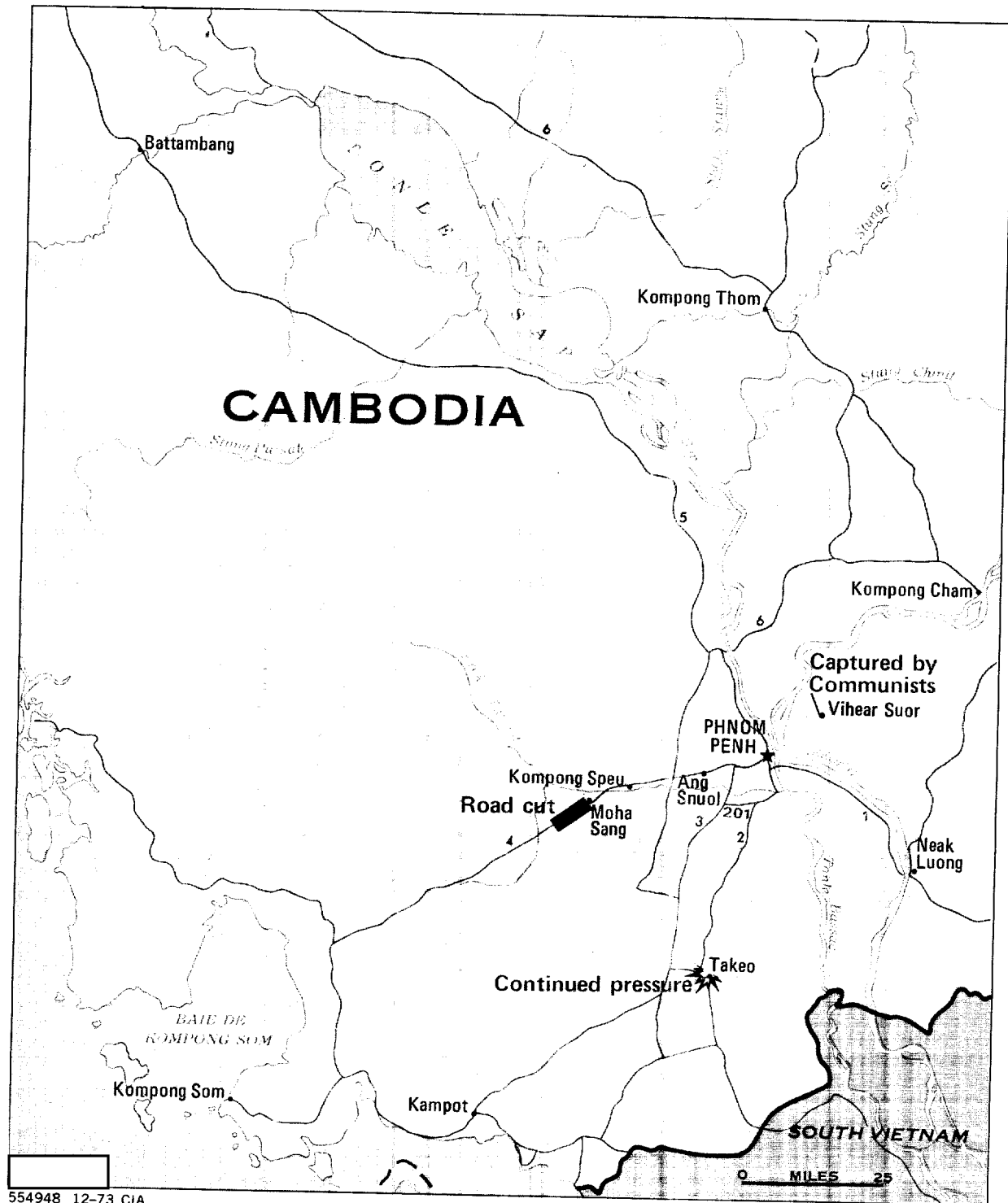
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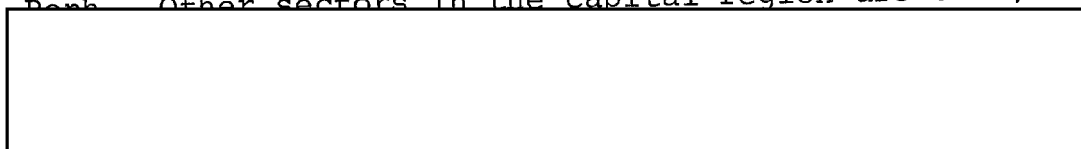
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CAMBODIA: The Khmer Communists have inflicted another setback on the government.

Communist ground attacks yesterday forced government units to abandon Vihear Suor, a small provincial capital ten miles northeast of Phnom Penh. About 180 of the town's 500-man garrison and an unknown number of its 1,500 civilians have reached nearby government lines. The Cambodian Air Force has been ordered to destroy two 105-mm. howitzers and other military equipment left behind.

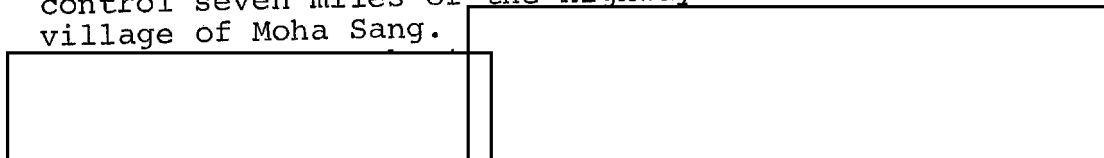
The fall of Vihear Suor poses no immediate threat to Phnom Penh. If the Communists are able to hold Vihear Suor, however, they probably will mount operations against government-held villages on the Mekong's east bank just upstream from Phnom Penh. Other sectors in the capital region are calm,



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Elsewhere, the provincial capital of Takeo, 40 miles south of Phnom Penh, remains under siege. Despite the recent arrival of at least one battalion of reinforcements and daily support from the Cambodian Air Force, the government has been unable to regain ground lost to the Communists south of the city late last week.

On the Route 4 front, Communist units have checked government clearing operations along the highway west of Kompong Speu. The insurgents now control seven miles of the highway southwest of the village of Moha Sang.

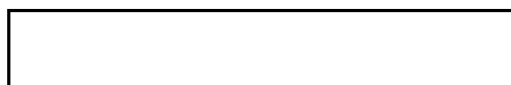


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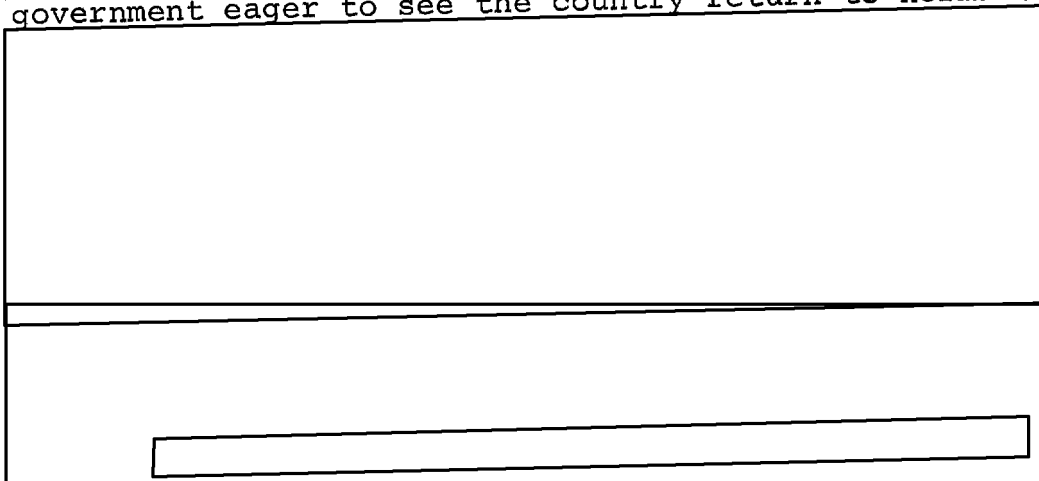


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THAILAND: Government leaders are displaying increasing concern over the troubled domestic situation.

In the past few weeks, there has been a surge of large-scale strikes and other labor unrest protesting inflation and government inefficiency. On several occasions these actions have led to outbreaks of violence and vandalism. In a bid to calm the situation, Prime Minister Sanya on 28 November publicly appealed to workers to refrain from strikes and to settle differences with employers through negotiations. He also warned, however, that he would use "drastic" measures if the workers fail to cooperate.

The current unrest is a new phenomenon that flows from the release of dissatisfaction bottled up during the Thanom-Praphat era. At the moment, however, it does not appear to constitute a major threat to public order. The greatest danger may lie in the possibility of overreaction by an edgy government eager to see the country return to normal.



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AUSTRALIA: Canberra may be reconsidering its energy policy with a view to increasing domestic petroleum production. Over the past year, the government has instituted a number of controls over foreign investment in the mining sector, and has reserved uranium, oil, natural gas, and black coal development for 100-percent Australian ownership. These measures, and the recent elimination of tax incentives for petroleum exploration, have resulted in a virtual halt in domestic petroleum exploration.

Lacking the capital and technology necessary for development of energy resources, Canberra may have to allow some foreign equity if it hopes to increase production significantly. Australia must now import about one third of its crude oil requirements, and nearly 90 percent of imports are purchased from Arab countries. [REDACTED]

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JAPAN-USSR: Concern over severe energy shortages has rekindled interest by Japanese businessmen in developing oil and natural gas deposits in the Sakhalin region. These business interests now favor reopening talks concerning joint Soviet-Japanese development, and want the government to bear some of the costs if the Sakhalin deposits prove too small to justify commercial development.

Negotiations on the Sakhalin project have been stalled. The Japanese Government so far has been unwilling to guarantee repayment of any portion of an estimated \$240 million in Japanese loans if no oil or gas in exploitable quantities is discovered at Sakhalin. There is no indication as yet that the government has changed this policy. [REDACTED]

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SPAIN: The government's stern actions this week on church-state problems are likely to provoke renewed protests and worsen the negotiating climate for a concordat with the Vatican.

The sudden return of six priests to the special jail in remote Zamora, where they have resumed their hunger strike, nullifies the conciliatory effect of the government's earlier transfer of these priests to a regular prison in Madrid. The Spanish clergy's conflict with the regime over the Zamora jail, which is maintained for priests convicted of political crimes, is just part of a larger movement for increased church independence from the state. The jailed priests first began their hunger strike shortly after the visit to Spain by Monsignor Casaroli--the Vatican's equivalent of foreign minister--who stopped in Madrid earlier this month to discuss the possibility of negotiating a new concordat.

Several other clerical demonstrations followed Casaroli's visit, as the Spanish clergy sought to dramatize the importance they attach to a concordat that would provide the Spanish church more freedom from the Franco regime. The actions of the papal nuncio in protecting the protesters from arrest during a sit-in at the Vatican Nunciature in Madrid led the government to send a stiff protest note to the Vatican.

The papal nuncio received a standing ovation at the Spanish Bishops Conference in Madrid this week when he referred to his role in the "recent grave events." The conference president, Cardinal Tarancon--who takes a tougher attitude than the Vatican on the need to give the church greater autonomy in Spain--made a well-received appeal for reconciliation, dialogue, and understanding between church and state.

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Apart from the government and the army, the church is the most influential institution in Spain, and continued church-state frictions could have important implications in the post-Franco period.

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FOR THE RECORD*

Libya - Arab States - USSR: President Qadhafi has confirmed that he paid the USSR cash for arms delivered to Arab belligerents during the recent war. In response to a question about his role in the war, Qadhafi, in a statement published on 19 November in Le Monde, replied: "I bought, paying cash, tens of combat aircraft, hundreds of tanks, numerous artillery pieces, some aerial defense installations, and various other types of military materiel, all of Soviet manufacture, and I sent them to the belligerent Arab countries." He also expressed regret that Libyan sacrifices "served no purpose, since Egypt and Syria accepted the cease-fire without even using the arms we sent them." [REDACTED]

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UK-USSR: British Foreign Minister Sir Alec Douglas-Home will be in Moscow 2-5 December. Bilateral relations have been cool since the British expelled 105 Soviet officials in September 1971. This will be the first high-level British visit to Moscow since the Conservative government came to power in mid-1970. [REDACTED]

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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